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S E C R E T SECTION 01 OF 03 KUALA LUMPUR 000113

SIPDIS

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MARCIEL AND NSC JEFF BADER

E.O. 12958: DECL: 02/17/2019

TAGS: [PREL](#) [PARM](#) [PHUM](#) [ECON](#) [ETRD](#) [ETTC](#) [MNUC](#) [IR](#) [MY](#)

SUBJECT: AMBASSADOR KEITH'S MEETING WITH MFA SECRETARY
GENERAL RASTAM

REF: A. 08 JAKARTA 01880 -- CORAL TRIANGLE INITIATIVE
[1](#)B. STATE 13998 -- REQUEST FOR MALAYSIA TO WITHDRAW
CONDITIONAL APPROVAL FOR BANK MELLAT
LICENSE

Classified By: Ambassador James R. Keith, reason 1.4 (b and d)

Summary

[1](#)1. (C) The Ambassador met MFA Secretary General Rastam February 17 for an extended dinner conversation covering our commitment to ASEAN, a range of Iran-related issues, Burmese refugees, our trade relationship, bilateral ties, and Malaysia's desire to be part of the Anti-Piracy Contact Group. Rastam welcomed the Secretary's current trip to the region and was encouraged by U.S. efforts to enhance cooperation with ASEAN. He indicated Malaysia would welcome a visit to Malaysia by the Secretary later this year. On Iran, Rastam urged the U.S. to engage in direct talks with Iran and listened closely to our concerns about non-proliferation and Bank Mellat, but he declined to commit to any specific course on Bank Mellat or transshipments. Rastam acknowledged the severity of the problem with Burmese refugees regionally, and endeavored to elicit a GOM response to our many communications regarding the allegations of Malaysian officials, complicity in the trafficking of Burmese refugees to the Thai border. On trade, Rastam expressed continuing interest in strengthening our already strong ties. He hoped that the UN Anti-Piracy Contact Group would seek Malaysia's participation the next time it considers expansion.

[1](#)2. (C) Comment: Rastam is among the more thoughtful if still somewhat restrained or aloof of our interlocutors. He is likely to convey as forward-leaning a position as any other official in the Malaysian bureaucracy, short of PM-designate Najib. The tentative nature of his responses to the Ambassador's pitches for increased engagement regarding specific policy issues was at odds with his enthusiastic support for high level meetings, including the President and the Secretary of State. Gradually Malaysia is broadening its horizons, but very gradually. It continues to view the world mainly through the narrow prism of what works for the ruling party in domestic politics. Our challenge here is to find ways to accelerate Malaysia's investment in the international system such that it sees itself more and more as part of mainstream international thinking and not just an outpost for the non-aligned. End Summary and Comment.

ASEAN/Regional Issues

13. (C) The Ambassador commented to MFA SecGen Rastam that Secretary Clinton's current trip to the region was intended to send clear signals about the priority of both Northeast and Southeast Asia in the minds of the Obama Administration. Rastam welcomed the Secretary's trip to the region and hoped that Malaysia would be included in her travels either in July in connection with the ASEAN Regional Forum or when she came to the region with the President in November. The Ambassador noted that the Secretary's visit to Indonesia was intended to send a clear message of commitment to and support for ASEAN. Rastam expressed hope that she would be in a position to signal American willingness to consider favorably the prospect of signing the Treaty of Amity and Cooperation and joining the East Asia Summit.

14. (SBU) The Ambassador raised the upcoming meeting on the World Oceans Conference (WOC) and the Coral Triangle Initiative (CTI) in Manado, Indonesia (Ref A) as another example of the kind of regional engagement we supported. He noted that five heads of government, including the Australian Prime Minister, would attend. The U.S., as one of the co-initiators of the CTI, was invited and was considering the level of our participation now. The Ambassador urged Rastam to work for a decision to send a senior representative to the Jakarta meeting even if important domestic events in Malaysia were coincident in time.

Iran

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15. (C) The Ambassador described in broad strokes our revitalized engagement in the Middle East and the prospect of new diplomacy directed toward Iran. He urged Rastam to understand that if there were to be new international focus on the rest of Iran's and the region's agenda items there would necessarily be commensurate focus on the international community's efforts to dissuade Teheran from developing a nuclear weapon. We needed, therefore, to prevent any miscues in the international environment that might lead Iran to believe it could evade sanctions or persuade international partners to acquiesce to Teheran's nuclear ambitions.

16. (S) The Ambassador conveyed the gist of Ref B demarche and urged no decision or announcement of Malaysian agreement to the opening in Labuan of a Bank Mellat subsidiary (Note: Ref B non-paper was provided to Rastam separately.) Our objective was for Malaysia to prevent Bank Mellat from opening a subsidiary in Malaysia, but at the very least we asked that Malaysia delay any decision until we could sustain a deeper dialogue on the subject. Moreover, we needed further policy-level discussion with Malaysia on the subject of transshipment of sensitive technology and equipment to proscribed Iranian entities. Our operational dialogue on this topic had been useful to a point, but the time had come for tangible action and deeper policy coordination. Malaysia's reputation as a reliable trading partner and responsible financial actor was at stake.

17. (S) Rastam noted that not only Malaysia but also other observers in the region had concluded Iran's influence was increasing. Developments in recent years in the Middle East left Iran better situated than previously to exercise influence among its neighbors and it was therefore necessary to deal with it across a broad range of issues. Rastam urged the U.S. to conclude the time had come for direct discussions with the Iranians. In the meantime, Malaysia maintained a close relationship with Iran. Regarding nonproliferation, one had to look at the full picture. India, Pakistan, and Israel were nuclear weapons states, he affirmed, and Iran was aware of that fact. Iran's situation had to be addressed in that context as well. Rastam declined to commit to any specific course on Bank Mellat or transshipments. He agreed with the idea that the international community had to be firm

in its efforts to dissuade Iran from becoming a nuclear weapons state so long as that appeared in the context of a broader engagement with Iran. In response to the Ambassador's query as to what Rastam thought Malaysia might be able to accomplish in support of the international effort to prevent Iran's development of a nuclear weapon, Rastam recalled that Malaysia had facilitated dialogue between the U.S. and North Korea some years ago. KL would be available to play such a role again if the need arose in the Iranian context. The Ambassador reiterated, given Malaysia's relationship with Iran, it was important to send the right signals to Teheran; this was not the time for Iran to be led to believe that it could evade the international community's expressed will in the form of UN Security Council Resolutions.

Refugees

18. (C) The Ambassador recalled that we had for a number of months been seeking to engage the Malaysians in a discussion of refugee issues with special emphasis on both the Chin and Rohingya refugees from Burma. He urged Rastam to help persuade the Director General of Immigration to respond to Senator Lugar's letter about alleged trafficking of Burmese refugees that involved complaints of official involvement. Rastam undertook to engage with his colleague to elicit a response. He added that it was becoming clear that individuals were paying to find their way out of Burma, then paying again to cross into Malaysia, either by sea or by means of a porous land border with Thailand. Malaysian authorities had to be held responsible for their own country's actions, he averred, but it should be recognized that it was not Malaysia's desire for the individuals to be smuggled into the country. The Ambassador observed that there was clearly a regional perspective that needed more attention and that it was necessary for Burma to start to take more responsibility for its own refugees. He asked whether Malaysia would take the issue up in the ASEAN context. Rastam demurred, but acknowledged the Ambassador's appeal for pragmatic engagement and promised to do his best

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to find ways to engage productively with the U.S. on the issue.

Trade

19. (C) In the context of increasing pressure on the Malaysian economy as the global economy continued to deteriorate, Rastam expressed continuing interest in strong U.S.-Malaysia trade ties. The Ambassador recalled that we had not yet confirmed our new U.S. Trade Representative nor did we have a confirmed Secretary of Commerce yet. We would need some time to sort out our trade priorities. The Ambassador undertook to stay in close touch with Rastam and his colleagues at the Ministry of International Trade and Industry as we formed our new team and identified top priorities in the context of the global crisis. Common sense suggested that attention would focus on the fact that Malaysia's was a lengthy negotiation and the only one from the previous Administration that remained unfinished. Rastam took the point and noted that with the ongoing transition aiming at the elevation of Deputy Prime Minister Najib to the PMship the Malaysian side would likely need time before it would be ready to engage authoritatively on the subject. The Ambassador noted that our overriding emphasis, whether bilaterally, regionally, or globally, was to increase trade flows through more open and liberal regimes.

An Affirmative Agenda

10. (C) The Ambassador advised that he hoped to carry back to Washington next week the Malaysian side's ideas for affirmative objectives that could serve mutual interests. In

response to the Ambassador's query, for example, Rastam advised that Malaysia would agree if the anti-piracy contact group were to seek Malaysia's participation when it next considered expansion, reportedly in mid-April. Rastam suggested that perhaps Malaysia could host an anti-piracy conference aimed at elucidating the legal and operational issues involved. The experience of the littoral states in the Strait of Malacca could be brought to bear.

¶11. (C) The Ambassador expressed hope that after we had made progress in identifying additional key members of our foreign policy team the Malaysians would consider reviving the institution of senior talks between our two departments. Rastam said that his earlier &dialogue8 interactions with A/S Hill had been productive and suggested a favorable attitude, pending more concrete discussions.

Bilateral Topics

¶12. (SBU) Rastam remarked that this was a critical time for Malaysia to have an Ambassador in the U.S. and asked whether KL could expect an answer soon on its agreement request. The Ambassador replied that he had no instructions at present but would undertake to get a response from Washington. The Ambassador urged Rastam to help advance our bilateral spousal work agreement, a long-standing request. Rastam expressed personal sympathy with the goal of concluding an agreement without suggesting any near-term movement. Rastam merely smiled in response when the Ambassador opined the MFA was encountering opposition within the cabinet. He expressed understanding the U.S. professionals who might work in the Malaysian economy were likely to be teachers or doctors or architects, i.e. those who could help Malaysia's economy. He implied that his colleagues in other cabinet departments did not seem to understand that spouses of diplomats would not likely be depriving Malaysians of their livelihoods.

KEITH